

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 /017 W
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P 300245Z APR 76

FM AMEMBASSY JAKARTA

TO USDOC WASHDC PRIORITY

INFO SECSTATE WASHDC PRIORITY 4151

AMCONSUL MEDAN

AMCONSUL SURABAYA

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FOR MEPD - JANICE PHILBRICK

EO 11652: NA

TAGS: BENC ID

SUBJECT: MAJOR PROJECT: TENDER FOR SIX BKU/PNP SUGAR
MILLS

REF: (A) JAKARTA 5533 (B) JAKARTA 5601

1. EMBASSY HAS SENT REF (B) DIRECTLY TO U.S. BIDDERS ON
SUGAR MILL TENDER IN ORDER GIVE THEM MAXIMUM LEAD TIME
IN PREPARING FOR ANTICIPATED MEETING WITH GOI OFFICIALS.
SUBSEQUENTLY, AFTER REPEATED ATTEMPTS, E/CM COUNSELOR
COHN FINALLY REACHED SALEH AFFIF OF BAPPENAS BY PHONE.
SALEH STATED THAT MINISTER WIDJOJO, WHO HE HAD JUST
SEEN, HAD FAILED MENTION ANYTHING ABOUT PROMISED MEETING
WITH U.S. SUGAR MILL BIDDERS. MOREOVER, SALEH STATED
THAT IF MINISTER DOES RAISE SUBJECT, SALEH WOULD RECOMMEND
AGAINST SUCH MEETING ON GROUNDS U.S. PRICES TOO HIGH.
COHN AGAIN POINTED OUT THAT WHOLE PURPOSE OF MEETING WAS
GIVE U.S. BIDDERS OPPORTUNITY EXPLAIN CONTENT OF THEIR CURRENT
BID PRICES TLUS MAKE APPROPRIATE ALTERATIONS.
HOWEVER, SALEH'S POSITION REMAINED UNCHANGED. HE ADDED
THAT IN ANY CASE HE NOT RPT NOT APPROPRIATE PERSON FOR
U.S. FORMS TO MEET SINCE HE NOT RPT NOT HANDLING NEGOTIATIONS.
AMBASSADOR IS WRITING WIDJOJO TO DETERMINE MEANING THIS
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PUZZLING SETBACK; WHILE WE REMAIN OPTIMISTIC

THAT WIDJOJO WILL FULFILL HIS PREVIOUS COMMITMENT TO AMBASSADOR RE MEETING, IT CLEAR SUCH MEETING WILL AT LEAST BE DELAYED SOMEWHAT. PLEASE SO ADVISE KATY FULTON AND ARKEL.

-2. FYI ONLY: AMBASSADOR'S ORIGINAL INTERVENTION FOLLOWED RECENT VISITS TO JAKARTA BY BOTH IRVING DAVIDSON REPRESENTING KATY FULTON, AND JAMES GILL REPRESENTING ARKEL. DAVIDSON SAW FOREIGN MINISTER MALIK BUT REPORTEDLY FAILED WIN FONMIN'S INTERVENTION AND MAY HAVE EVEN IRRITATED MINISTER IN COURSE. GILL WAS UNSUCCESSFUL IN REACHING MINISTER DEFENSE, WHOSE YOUNGER BROTHER REPRESENTS ARKEL; BUT GILL DID STRONGLY EMPHASIZE TO INDONESIAN CONTACTS THE CONGRESSIONAL INTEREST (PRIMARILY SENATOR LONG) IN THIS TENDER. END FYI.

3. AT THIS POINT GOI OFFICIALS INVOLVED ARE WELL AWARE OF BOTH US AND INDONESIAN POLITICAL IMPLICATIONS THIS TENDER--THUS FURTHER REFERENCE TO PREVIOUS IRREGULARITIES OF TENDER EVALUATION, FAMILY RELATIONSHIPS OF EUROPEAN COMPETITORS' AGENTS, OR OTHER FACTORS UNRELATED TO THE TECHNICAL/COST EFFECTIVENESS STRENGTHS OF U.S. PROPOSALS COULD ADVERSELY AFFECT INDONESIAN ATTITUDES RE VERY DELICATE PROPOSED MEETING. EMBASSY WOULD THEREFORE APPRECIATE PHILBETICK CONTACTING BOTH FIRMS AND REVIEWING WITH THEM APPROPRIATE APPROACH TO BE MADE WHEN JAKARTA MEETING ARRANGED.

4. WE STRONGLY BELIEVE THAT THE U.S. FIRMS' BEST CHANCE LIES IN PRESENTING NON-CONTENTIOUS STATEMENT GRAPHICALLY DEMONSTRATING U.S. PRICE ADVANTAGE OVER EUROPEANS' FOR COMPARABLE PACKAGE OF GOODS AND SERVICES. WE DOUBT THIS CASE CAN NOW BE MADE EFFECTIVELY BY SIMPLY ARGUING THAT EUROPEAN PRICES WILL EVENTUALLY EXCEED U. S. PRICES IF EUROPEANS IMPLEMENT COMPLETE PROJECT MATCHING PERFORMANCE STANDARDS OF PROPOSED U.S. MILL. SUCH ARGUMENT PRE-SUPPOSES EUROPEAN PROPOSALS ARE STILL NOT RPT NOT COMPLETE AFTER LENGTHY BKU/PNP ANALYSIS AND DISCUSSIONS, A FACT WHICH GOI OFFICIALS UNLIKELY READILY CONCEDE. MOREOVER, IN LAST ANALYSIS SUCH ARGUMENT CAN ONLY BE PROVEN AFTER LIMITED OFFICIAL USE

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COMPETITORS SIGN CONTRACTS AND BEGIN IMPLEMENTATION.

5. WE THEREFORE BELIEVE U.S. FIRMS MUST PREPARE COST ESTIMATES BASED ON SAME BASIS AS EUROPEAN PROPOSALS (PROBABLY LITERAL READING OF SPECS) AND OFFER THESE ESTIMATES AS GRAPHIC PROOF THAT U.S. CAN BEAT EUROPEAN PRICES FOR COMPARABLE PACKAGE AND CONSEQUENTLY DO DESERVE SERIOUS CONSIDERATION OBVIOUSLY SUCH MOVE WILL ALSO HINT THAT

EUROPEAN PROPOSALS CAN BE FURTHER ELABORATED IN SUBSEQUENT
HOPED FOR TECHNICAL DISCUSSIONS. ULTIMATELY, GOI ALONE MUST DECIDE
WHETHER TO SELECT CHEAP, LOW PERFORMANCE PROJECT OR LARGER CAPACITY,
MORE EXPENSIVE PROJECT RECOMMENDED BY U.S. BIDDERS; BUT
EITHER WAY U.S. SHOULD PRESENT OFFER TO BUILD PROJECT AT LOWER COST T
HAN
EUROPEANS.
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